

GOVERNOR'S COMMISSION ON GOVERNMENT REFORM AND RESTRUCTURING

August 31, 2011

10:00 AM

House Room D, General Assembly Building, Richmond, Virginia

Meeting Minutes

Commissioners Present: Bourne, Brink, Brown, Gemmill, Gilliam, Hicks-Thomas, Howell, Hughes, Kelly, Leighty, Malek, McMurtrie, McTigue, Obenshain, Oder, Pattison, Rust, Segal, Shelton, Thompson, Tillett, Wynne

Commissioners Absent: Cox, Eggers, Fraim, Jenkins, Kilberg, Lambert, Lucas, McDougle, Ware, Whipple

- I. Chairman Fred Malek welcomed attendees and offered opening remarks. He referenced the work of the commission members and staff of the Governor's office in advancing last year's recommendations and developing new recommendations through work groups, specifying that each group has met at least twice since April 2011. He noted the Governor's request that the Commission generate bold reform recommendations. The Chairman introduced Jeff Palmore to present on the status of implementation of recommendations made by the 2010 Commission.
- II. Jeff Palmore, Executive Director of the Commission, thanked the commission members for their work. He presented the implementation status of recommendations made by the 2010 Commission, beginning with the legislative successes that resulted in the creation of a Commonwealth Office of Inspector General, reduction of certified mail usage, elimination of redundant reporting, consolidation of certain tax collection, and statutory changes to streamline the operations and service-delivery of the Secretariat of Transportation. Palmore cited the elimination of 49 boards and commissions, the enhancement of operational efficiencies, increased use of telework and teleconferencing, and the ongoing study of state inventories of real property as further successes of the 2010 Commission.
 - a. Chairman Malek asked if any particular recommendations were especially difficult to enact. Palmore responded that ABC privatization had met with the most significant resistance, and that there were other recommendations forestalled by the cost of implementation.
 - b. Gil Shelton asked about the status of the real property inventory. Palmore deferred to Secretary of Administration Lisa Hicks-Thomas who responded that 97% of agencies had completed their land use plans and that DGS has an online list of surplus properties. She explained that whenever there is sale or

transfer of a surplus property, the Secretariat publishes a report to the money committees.

- c. Maurice McTigue suggested that terminal dates should be incorporated into the bylaws of boards and commissions, or that the number of boards and commissions should be set so that the creation of a new board necessitates the elimination of an existing one.
 - i. Sandy Liddy Bourne added that a sunset provision may be practical for advisory boards, e.g. the Chesapeake Bay Clean Up Council, but not mission-driven boards, e.g. college and university BOTs.
 - ii. Ron Tillett requested that boards and commissions recommended for elimination in 2012 be identified as either advisory or governing
- d. Mike Thompson asked how many surplus buildings the state owns outside of university-owned buildings. Secretary Hicks-Thomas answered that last year's report indicated 13,000 surplus properties (non-university). Joe Damico rose to the podium to describe the current evaluation and inventory-tracking process for state-owned and leased space.
- e. Delegate Brink asked about the process for examining the feasibility of and implementing a 4-day work week. Palmore responded that preliminary examination had revealed that a 4-day work week is not applicable to all agencies (particularly those in Education and Public Safety). He explained that the recommendation was meant as an energy-saving measure and so viability would depend also on the space occupied or shared by agencies who may realize energy conservation by truncating the work week. Secretary Hicks-Thomas added that agencies would be considered for space-sharing based on their ability to implement a 4-day work week. She said that the Utah plan on which the recommendation had been based had been at least partially repealed because it had not realized its projected energy savings.

III. Work Group Reports

- a. Chairman Malek introduced The Honorable Jack Rust to present on efforts of the Health and Human Resources (HHR) work group. Rust commended the involvement of HHR Secretary Bill Hazel and introduced him, via video conference, for a presentation on the new online social services portal.
 - i. Slides describing the current organizational and functional structure of agencies within HHR and the 'visionary' goal to realign and streamline their reporting and service-delivery structures. Cooperative efforts of Secretary Hicks-Thomas, Sara Wilson, and Donna Douglas in developing the revised EWP plan.
 - ii. Schematic of the current IT environment and description of a plan to modernize the technological interface
 - 1. Current error rate for Medicaid applications is 16% - must be lowered. The system must become less error prone for the savings and efficiency of the agencies, and for the delivery of service to constituents.

- iii. Development of child care portal – online eligibility determination and tracking. Eventual development of portals for other social services (SNAP, TANF)
 - iv. Cooperation with Secretariat of Administration and VITA in the Secretariat of Technology to develop online portal for determining eligibility. Pilot project funded by Medicaid administration funds – DMV citizen authentication portal
 - v. Increased use of common data standards
 - vi. Consolidation of certain agencies into Department of Rehabilitative Services
 - 1. Department of Aging
 - 2. Adult Services Unit of DSS
 - 3. Deaf and Hard of Hearing
 - 4. Blind
 - vii. Consolidate current four systems of managing child services data into one – working with SAS to develop financial management interface. More cost-effective service and greater accountability for tax-payer dollars.
 - viii. Chairman Malek asked that the presentation slides be made available so that they can be analyzed more closely.
 - ix. Maurice McTigue asked for details on the improved efficiencies of care. Hazel replied that particularly for high-risk populations, better case management would limit the frequency and cost of repeat visits to care centers. Projecting the needs of families at risk and engaging in proactive care coordination will create long term savings.
 - x. Mike Thompson asked if the 16% error rate in application for Medicaid benefits is standard nationally. Hazel was unsure of national benchmark, but replied that Virginia must improve the error rate. A better electronic system will be able to interact with federal data systems to determine eligibility and prior social service use
 - xi. Jack Rust commended the Secretary for his proactive analysis and work on multiple reform initiatives. Hazel has submitted legislative proposals under the banner of HHR that may be adopted eventually into the Government Reform legislative package.
- b. Chairman Malek introduced Geoff Segal to present on the development of recommendations by the Natural Resources work group. Segal reported that the work group had met twice and would meet again before the November full Commission meeting.
- i. He cited multiple ideas being considered by the current work group, including:
 - 1. Transparent and customer-friendly one stop shops for obtaining licensing in areas such as water quality permitting and endangered species permitting
 - 2. Consolidating the programs for coastal management and land use from three agencies into one – DCR

3. Consolidating the management of wildlife and marine resources, which is currently done by multiple agencies with overlapping functions and jurisdictions
 4. Eliminating programs that are no longer functional or effective
 5. Examining the elimination of certain boards and commissions
- ii. Gill Shelton suggested that some state agencies aren't doing properly educating or advocating with regards to the effects of local land use decisions on wildlife management areas and other conservation lands. Segal replied that no study had been undertaken, but that he would bring it to the Secretary's attention.
 - iii. Maurice McTigue commented that devising an automatic notification to other agencies about licensing applicants may enhance customer service. Segal replied that was the focus of the recommendation, whether ultimately information-sharing or combining infrastructure
 - iv. Mike Thompson asked if there would be consideration for outsourcing the administration of park maintenance and programming. Segal replied affirmatively; Chairman Malek endorsed the suggestion.
- c. Chairman Malek introduced Sandy Liddy Bourne to present the status of the HR/Administrative work group. Bourne reported that the group has met twice and thanked Secretary Lisa Hicks-Thomas, Logan Pugh, and Sara Wilson.
 - i. She described four areas of focus, based on the predominant categories of employee feedback and concern:
 1. Leave simplification
 - a. Currently 17 categories – too complex
 - i. Sara Wilson of DHRM rose to the podium to describe that leave accrual among vested employees has created unfunded liability for many agencies
 - b. Important to analyze the expense incurred over the past decade for the pay out of accrued time off
 - c. Priorities of recommendation are to provide user friendly, cost-effective, easy to implement solution that is a real and perceived benefit to the employee
 2. Grievance procedure – improve and streamline the process
 3. FOIA meeting laws – encourage adoption of laws to encourage use of technology to facilitate meetings without violating or complicating compliance with FOIA statute
 4. Minimizing use of 'snail' mail
 - ii. Suzy Kelly asked if the generic PTO system popular in private sector would be considered. Bourne affirmed. Marcia Gilliam endorsed suggestion for PTO system, as is simpler for both employees and managers.

- iii. Maurice McTigue commented that the bankruptcy of certain localities has been the result of unfunded mandates. He encouraged more disclosure of agency financial liabilities.
 - iv. Chairman Malek asked for further description of the current grievance process. Bourne replied that the average time of resolution is 107 days; if it becomes a civil court decision it could be 320 days.
 - v. Bill Leighty asked if consolidating agency payroll and budgeting would be considered. Bourne responded that the work group had engaged Ron Tillet and the Finance work group on cooperative development of such a recommendation.
- d. Chairman Malek introduced The Honorable Ron Tillet to present on the status of the Finance work group. Tillet thanked the Finance agencies for significant support.
 - i. He described three key issues:
 - 1. Budget Transparency
 - a. Despite high bond rating, Virginia remains mediocre in transparency rating. Goal is to publish reports that are more user friendly and easier to interpret. Secretary Ric Brown is leading a work group for this purpose.
 - b. Dubby Wynne commented that it would be helpful to have a 'cascade' of long term and short term goals and the distribution of dollars to accomplish them published by each agency. Secretary Brown replied that the effort is underway.
 - 2. Commonwealth investment of taxpayer funds
 - a. Billions of dollars are invested for a variety of objectives, not including VRS or university foundations.
 - b. A work group of CIOs is taking inventory of the individual investment funds to create a holistic inventory for the Commission to review.
 - i. VRS is not included because it is subject to more stringent statutory oversight than other funds
 - c. Leighty and Wynne comment that combining funds for investment purposes would be more efficient to administer and would magnify investment gains
 - d. Tillet affirms that a full report will be available within 60 days, and prior to the November meeting of the full Commission
 - 3. Tax Collection
 - a. Five key areas
 - i. ABC privatization – on hold
 - ii. E-911 – advancing
 - iii. Vehicle Rental Tax – advancing
 - iv. Insurance Premium Tax – advancing
 - v. Treasurer's pilot program – advancing

- b. Potential for 2011 recommendations
 - i. Study feasibility of transferring motor vehicle sales tax from Tax to DMV
 - ii. Maurice McTigue commented that there should be greater disclosure of debt obligations. Bill Leighty offered to review the disclosure standards to assure him that Virginia is compliant. Secretary Ric Brown affirmed Leighty's remark about the clarity of Virginia's accounting practices.
 - iii. Tillet concluded that the debt capacity is reported each year and that the report would continue to appear online for citizen access.
- e. Chairman Malek introduced Delegate Glenn Oder to present the status of the Commerce and Trade work group.
 - i. Oder reported that the group has focused on two key areas:
 - 1. APA and Callahan Act reform
 - a. Delegate Oder provided an overview of the Act and described the impact on the Department of Professional and Occupational Regulations (DPOR) and the Department of Health Professions (DHP). The Callahan Act (§ 54.1-113) requires each of the Department's regulatory boards to adjust fees so that revenues are "sufficient but not excessive" to cover operating expenses.
 - b. Boards are prevented from providing the most efficient services by ensuring that fee adjustments (decreases and increases) more accurately reflect the revenue necessary to cover operating expenses. Current policy allows excessive delays in the APA (Administrative Process Act) deliberation process, thus creating exacerbated deficits and mandating highly inflated fee increases to manage expenses back into compliance with the Callahan Act.
 - c. Because of the length of time required to increase fees under current law, proposed fees must generate revenue to cover increases in operating expenses for a number of years. Financial activities, position, and projections can change substantially during such an extended time period, so that fees initially proposed may not be appropriate by the time they become effective – requiring the boards to adjust fees again immediately.
 - d. The work group recognizes the benefit the Callahan Act provides our regulating agencies. In good economic times, the Act is good policy and protects the regulant community. However, in difficult economic times, the restrictions placed upon the agency become much worse and regulants will see their fee increase over time.
 - e. The APA process compounds the issue as delays in the process only serve to increase the need for fee increases.

- f. During this review, we've also come to recognize a number of regulated populations that perhaps do not need to be regulated.
- g. The work group is strongly considering a recommendation that would help curtail the future regulation of industries by requiring a period of time to involve stakeholders and perform in depth financial analysis.

2. Boards and Commissions

- a. ALL boards and commissions subject to review for elimination
 - b. A full report of those recommended for elimination will be presented in November
- ii. Sandy Liddy Bourne commented that a shorter review process for fee increases may be adverse to regulated professionals, e.g. nurses, because increased could be unchecked. Oder responded that though the review process would be streamlined, review would not be eliminated altogether and would involve industry stakeholders

IV. Chairman Malek invited public comment; no members of the audience rose to the podium.

V. General Discussion

- a. Bill Leighty referred to a Barron's article citing Virginia as a top-ranked state because of its willingness to embrace structural change and improvement. He asserted the importance of making bold recommendations through the Commission. Chairman Malek requested that Jeff Palmore distribute the article to all members of the Commission.
- b. Chairman Malek commended the efforts of the Commission and each work group and reiterated the importance of developing bold reform recommendations to share at the November meeting. Bold ideas should be presented even if they have low probability of success in the 2012 legislative session.
- c. Mike Thompson encouraged a comparison of the state employment levels with private sector employment levels over the past 20 years. He referred to a 1999 study that identified 30,000 jobs for outsourcing. He promoted Bill Eggers' book.

VI. Chairman Malek moved to adjourn the meeting and was seconded by multiple commissioners. The meeting adjourned at 12:11 pm.